

Message Text

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ACTION NEA-06

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 7464

LIMITED OFFICIAL USE NEW DELHI 12202

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FOR NEA/INS KUX

E.O. 11652: N/A - DECLASSIFY ON RECEIPT

TAGS: EFIN IN

SUBJECT: HOUSE-SENATE CONFERENCE ON AID LEGISLATION

(BYRD AMENDMENT)

PLEASE PASS THE FOLLOWING MESSAGE FROM ME TO SENATOR FULBRIGHT

"DEAR SENATOR FULBRIGHT

"I APPRECIATED YOUR UNDERSTANDING WHEN WE LAST TALKED OF WHAT I AM TRYING TO DO IN THE WAY OF A RUPEE SETTLEMENT. I EARNESTLY HOPE THAT THE CONFEREES WILL ELIMINATE THE BYRD AMENDMENT TO TH AID BILL.

"YOU KNOW HOW CLOSELY THE ADMINISTRATION HAS WORKED WITH THE CONGRESS THROUGHOUT MY ATTEMPT TO WORK OUT A SETTLEMENT OF THIS VEXING PROBLEM WITH THE GOVERNMENT OF INDIA. IN ACCORDANCE WITH SECTION 104 OF PL-480, THE PRESIDENT WILL TRANSMIT TO THE SENATE AND HOUSE AGRICULTURE COMMITTEES THE TERMS OF THE PROPOSED SETTLEMENT WITH INDIA THIRTY DAYS BEFORE ENTERING INTO THE PROPOSED SETTLEMENT. THIS MAKES THE BYRD AMENDMENT UNNECESSARY, BUT SINCE IT WOULD REQUIRE FULL ULNATE AND HOUSE VOTES, WE FEEL ITS ADOPTION WOULD AS A PRACTICAL MATTER END ALL CHANCES TO ENTER INTO A SETTLEMENT.

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"IN NEGOTIATING THE AGREEMENT, WE HAVE RESISTED INDIAN ATTEMPTS TO

PUT A TIME LIMIT ON THE USE OF OUR RUPEES. AS WE HAVE STRUCTURED THE AGREEMENT, HOWEVER, WE WOULD HAVE ASSURED ACCESS TO LOCAL CURRENCY TO PAY FOR UNITED STATES GOVERNMENT EXPENDITURES IN INDIA AND NEPAL FOR PERHAPS 20 YEARS, DEPENDING ON HOW FAST WE ACTUALLY SPENT THE RUPEES. I DOUBT THAT IT IS REALISTIC TO TRY TO LOOK FURTHER INTO THE FUTURE THAN THIS. I WOULD JUDGE THE PROSPECTS OF IMPROVING OUR RELATIONS WITH THE INDIANS AS BLEAK IF WE DO NOT NOW GO AHEAD AND GET A SETTLEMENT OF THE RUPEE ISSUE.

"I WOULD EMPHASIZE THAT THE RUPEE SETTLEMENT HAS NOTHING TO DO WITH INDIA'S DOLLAR DEBTS TO US OF \$3.4 BILLION. INDIA IS PROUD OF ITS "BANKABILITY" AND I WOULD FIRMLY EXPECT IT TO CONTINUE TO MEET THESE OBLIGATIONS ON TIME AS IT ALWAYS HAS IN THE PAST. OF THE TOTAL DOLLAR-REPAYABLE UNITED STATES GOVERNMENT CREDITS UTILIZED BY INDIA OF \$3,688 MILLION, INDIA HAS SO FAR REPAYED ON SCHEDULE, \$266 MILLION OF PRINCIPAL, AND \$317 MILLION OF OF INTEREST FOR A TOTAL OF \$583 MILLION. PAYMENTS OF PRINCIPAL AND INTEREST CURRENTLY EXCEED \$100 MILLION ANNUALLY.

"LET ME KNOW IF FURTHER INFORMATION WILL BE HELPFUL.
SINCERELY
DAIEL P. MOYNIHAN".
MOYNIHAN

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